Bruin Financial Management

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R.I.P. J.O.L.T.S.

Economists can easily determine there's a substantial labor surplus as even CPI-gauged real wages decreased 2.4% in 2021,[1] a year of record corporate profits by every system of measurement (e.g., after tax profits increased 37.3%).[2] Add *at least* another -4.6% to the decrease in CPI-gauged real wages for a total decrease in real wages of at least 7% based on actual inflation (mainly due to CPI's blatant massive underestimation of rent and owner equivalent rent; see Exhibit A) and that means that there's actually a *massive* labor surplus.[3] We also know there's a massive labor surplus by looking at comparative OECD Working Age Employment Rates wherein several countries absolutely destroy the US despite having universal healthcare and thus working not being a matter of life and death. Faced with a massive labor surplus, employers have seen no need to substantially raise wages in order to retain or obtain employees despite having ample excess revenue with which to do so.

While inflation may not have been noticeable to the average worker in distant years past, the fact that big inflation has been upon us currently for over a year now is no secret to anyone (with CPI hitting 5% in May 2021).[4] Everyone who eats food, which is to say everyone, knows inflation is raging. The average person doesn't know what the heck a CPI is, but they know how much they need to maintain or improve their standard of living. After all, they're the ones who know what their own budget and bills are.

However, during this time period of massively decreasing real wages, the gap between the U-3 reported number of unemployed (jobless people actively applying; 5,964,000) and the JOLTS reported number of open jobs (10,353,000) greatly widened to 4,389,000 (a gap that taken on its own could even imply a large labor shortage to laymen) thus exposing the reported open jobs number as useless and incompatible with the standard economic model.[5] In other words, the JOLTS open jobs number is not a reasonable representation of serious job openings. This revelation represents a loss for economists who now have one less citable data point. The only

alternative to getting rid of the JOLTS open jobs number, at least under its current methodology, would be to get rid of the law of supply and demand. The ability to confidently cite the JOLTS open jobs number has always just been wishful thinking as it is a self-selected, self-reported survey with zero scrutiny as to the employer's level of seriousness toward hiring for the reported open job (even merely accepting applications satisfies the requirement).[6] Further, while we can't just create jobless people out of thin air, we can create reported open jobs out of thin air, and treasonous organizations even have the incentive to do so in attempt to influence government policies in ways that cut their costs such as: (1) reducing the perceived need for social safety nets in order to reduce their tax burden, (2) promoting massive increases to work visas and illegal immigration, and (3) promoting international "free trade" agreements purposed to outsource jobs.

A government statistic has plausible believability until the day that it doesn't. When you report 73.6% more open jobs than jobless people actively applying in the face of an at least 7% decline in actual-inflation-gauged real wages and an increase in after tax corporate profits of 37.3%, that day has very obviously come for the JOLTS open jobs number with it being exposed as completely unbelievable and consisting of a high percentage of very unserious "openings." [7] While the unseriousness of reported job openings can also come in forms that are more qualitative and difficult to measure (such as the extent to which employers are unwilling to train or the extent to which employers limit their consideration to people who fulfill an impossibly unreasonable wish-list and only hypothetically exist), when we've got the quantitative data outlined in the previous sentence, it's an open and shut case that all of the "THerE's a laBOr shoRTAge" phony hand wringing and just-so stories in the world cannot defeat. In fact, the idea that there's a general "labor shortage" is something typically espoused by people who don't even know what those words mean. While it is *possible* that there is a *labor deficit at wage levels currently being offered*, you cannot lower your offer price in real terms for an item and then claim there's a shortage of it. A shortage is when there is no price high enough that will buy enough to meet demand.

The year of 2021, a year of big profits and big supposed job openings was a stress test for the JOLTS open jobs number and it failed big time as revealed by the massive decrease in real wages. Now that the JOLTS open jobs number has revealed itself as just one more useless thing published by the BLS, the general public is left with the OECD's quarterly publication of the Working Age Employment Rate as the only high level thing of value worth paying attention to regarding the unemployment situation as it automatically takes into consideration that the retirement age in the US is 65 and thus neutralizes (renders meaningless) the effects of changes in birth rates compared to the Labor Force Participation Rate which does not. Between this paper and the paper "Inside Donald Trump's Unemployment Rate," BLS has had all of their most famous statistics completely debunked and now sits at the precipice of irrelevance.[8] [9] Rather than continue to propagate zombie ideas and waste taxpayer money on all of the work that goes into the various useless unemployment rates and the useless open jobs number, BLS should begin publishing the Working Age Employment Rate and do so on a monthly basis. As automation grows, the context of the Working Age Employment Rate will likely have to be supplemented with a weekly average hours worked per worker statistic.

As an aside, it should go without saying that, as the US is an approximately 70% consumer based economy, when employers decide to so violently lower real wages, it causes a contraction in economic activity.

Disclaimer: There is of course the possibility that any or even all of the numbers ever put out by the US Government could just be made up. Data inputs for this article were supplied by the US Government and Apartment List. Bruin Financial Management cannot guarantee the legitimacy of these externally provided data inputs without undertaking large independent surveys.

End Notes:

[1] $31.29 Average Hourly Wages December 2021 - ($31.29 Average Hourly Wages December 2021 x 7% CPI 2021) = $29.10 CPI-Gauged Average Hourly Wages December 2021 in December 2020 Dollars

($29.10 CPI-Gauged Average Hourly Wages December 2021 in December 2020 Dollars - $29.82 Average Hourly Wages December 2020) / $29.82 Average Hourly Wages December 2020 = -2.4% Change in CPI-Gauged Real Wages 2021

Bureau of Labor Statistics. 2022. "Current Employment Statistics - CES (National) - Establishment Data Table B-3b." Bureau of Labor Statistics. Retrieved May 18, 2022 from https://web.archive.org/web/20220518100552/https://www.bls.gov/ces/data/employment-and-earnings/2022/table3b_202202.htm

Bureau of Labor Statistics. 2021. "Current Employment Statistics - CES (National) - Establishment Data Table B-3b." Bureau of Labor Statistics. Retrieved May 18, 2022 from https://web.archive.org/web/20220518100344/https://www.bls.gov/ces/data/employment-and-earnings/2021/table3b_202102.htm

Bureau of Labor Statistics. 2022. "News Release – Bureau of Labor Statistics – Consumer Price Index – December 2021." Bureau of Labor Statistics. Retrieved May 4, 2022 from https://web.archive.org/web/20220119083740/https://www.bls.gov/news.release/pdf/cpi.pdf

[2] ($2,620,000,000,000 After Tax Profits 2021 - $1,908,400,000,000 After Tax Profits 2020) / $1,908,400,000,000 After Tax Profits 2020 = 37.3% Increase in After Tax Profits 2021

Rohrer, Karl and Kate Pinard. 2022. "News Release - Gross Domestic Product (Third Estimate), Corporate Profits, and GDP by Industry, Fourth Quarter and Year 2021." Bureau of Economic Analysis. Retrieved May 10, 2022 from https://web.archive.org/web/20220426194136/https://www.bea.gov/sites/default/files/2022-03/gdp4q21_3rd.pdf

[3] $31.29 Average Hourly Wages December 2021 - ($31.29 Average Hourly Wages December 2021 x 11.4% Rents-Corrected CPI 2021) = $27.72 Rents-Corrected CPI-Gauged Average Hourly Wages December 2021 in December 2020 Dollars

($27.72 Rents-Corrected CPI-Gauged Average Hourly Wages December 2021 in December 2020 Dollars - $29.82 Average Hourly Wages December 2020) / $29.82 Average Hourly Wages December 2020 = -7% Change in Rents-Corrected CPI-Gauged Real Wages 2021

[4] Bureau of Labor Statistics. 2021. "News Release – Consumer Price Index – May 2021." Bureau of Labor Statistics. Retrieved May 16, 2022 from https://web.archive.org/web/20210615005353/https://www.bls.gov/news.release/pdf/cpi.pdf

[5] Bureau of Labor Statistics. 2022. "News Release – The Employment Situation – December 2021." Bureau of Labor Statistics. Retrieved April 19, 2022 from https://web.archive.org/web/20220112090840/https://www.bls.gov/news.release/pdf/empsit.pdf

Bureau of Labor Statistics. 2022. "News Release - Job Openings and Labor Turnover – January 2022." Bureau of Labor Statistics. Retrieved May 10, 2022 from https://web.archive.org/web/20220412130620/https://www.bls.gov/news.release/archives/jolts_03092022.pdf

[6] Bureau of Labor Statistics. 2020. "Job Openings and Labor Turnover Survey Handbook of Methods." Bureau of Labor Statistics. Retrieved April 10, 2022 from https://web.archive.org/web/20210908181558/https://www.bls.gov/opub/hom/jlt/pdf/jlt.pdf

Bureau of Labor Statistics. "Reporting JOLTS Data on the BLS Internet." Bureau of Labor Statistics. Retrieved June 11, 2022 from https://web.archive.org/web/20220412130615/https://www.bls.gov/jlt/joltswebinstructions.pdf

[7] (10,353,000 JOLTS Open Jobs December 2021 - 5,964,000 U-3 Unemployed December 2021) / 5,964,000 U-3 Unemployed December 2021 = 73.6% more reported open jobs than jobless people actively applying

[8] Carmichael, Ryan. 2020. "Inside Donald Trump's Unemployment Rate." Bruin Financial Management.

[9] BLS's most famous statistics being U-3, U-6, JOLTS open jobs number, and CPI-U.

Exhibit A to "R.I.P. J.O.L.T.S."

Rents-Corrected CPI for 2021

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The BLS's Consumer Price Index (also known colloquially as CPI; also known formally and precisely as CPI-U; also known erroneously as inflation) has no solid footing in economics or logic. This is mainly due to CPI's blatant massive underestimation of price shifts in rent and owner equivalent rent (OER; the rental income a homeowner forgoes receiving by living in the home or letting it be vacant). For example, in 2021, CPI underestimated the increase in rent and owner equivalent rent by over 14%. This also has the effect of subduing shifts in the overall CPI number as rent and OER combine for a total of nearly one third of the entire weight. Further, it starkly underestimates and is unable to track with increases in housing costs in the long run and thus has no logical alibi available to it. This is not an issue that the Census Bureau and Bureau of Labor Statistics can solve by asking additional survey questions or by performing additional complex statistical manipulations. The existing breadth of survey questions and complex statistical manipulations is in fact the problem in the context of the CPI rent and OER constructions. The only solution is to publish two basic CPI-Us: one entirely without consideration of rent and OER (as an increase in current expenses gauge for those who reject the concept of OER and for renters who had no change to their existing rent year on year -- although if they ever move they will be met by the actual accumulated price changes) and one reflecting the change in the current market price of rents year on year (actual inflation). The BLS's current calculations of rent and OER inflation accomplish neither of those things or anything virtuous. In supposedly attempting to reflect the experience of everyone, they reflect the experience of almost no one. Further, they presume that renters will never be buyers and homeowners will never buy a second home. While the existing CPI can *maybe* claim to be a change in average expenses of some consumers gauge, it cannot claim to be a price inflation (loss in buying power of the dollar) gauge and thus cannot be used as a reasonable deflator when calculating changes in real wages. Once again, we have a situation where the Bureau of Labor Statistics is using words that they do not understand or are purposefully misusing. Below is the Rents-Corrected CPI for

2021 using Apartment List's "National-Level Historic Estimates" for rent along with the simple steps that anyone can do to perform a Rents-Corrected CPI.

$$\frac{\text{\$1289 National Average Rent December 2021 - \$1094 National Average Rent December 2020}}{\text{\$1094 National Average Rent December 2020}}$$

= 17.82% Actual Rent Inflation

17.82% Actual Rent Inflation - 3.3% CPI Rent Inflation

= 14.52% Rent Inflation Missing from CPI

14.52% Rent Inflation Missing from CPI × 0.07583 Weight of Rent in CPI

= 1.1010516% Contribution of Rent Inflation Missing from CPI to Rents-Corrected CPI

17.82% Actual Rent Inflation - 3.8% CPI OER Inflation

= 14.02% OER Inflation Missing from CPI

14.02 OER Inflation Missing from CPI × 0.23509 Weight of OER in CPI

= 3.2959618% Contribution of OER Inflation Missing from CPI to Rents-Corrected CPI

1.1010516% Contribution of Rent Inflation Missing from CPI to Rents-Corrected CPI
+ 3.2959618% Contribution of OER Inflation Missing from CPI to Rents-Corrected CPI

= 4.4% Total Rents Related Adjustment to CPI for a Rents-Corrected CPI

7% Total CPI + 4.4% Total Rents Related Adjustment to CPI for a Rents-Corrected CPI

= **11.4% Rents-Corrected CPI**

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Sources:

Bureau of Labor Statistics. 2022. "News Release – Consumer Price Index – December 2021." Bureau of Labor Statistics. Retrieved May 4, 2022 from https://web.archive.org/web/20220119083740/https://www.bls.gov/news.release/pdf/cpi.pdf

Apartment List. 2022. "Data & Rent Estimates, National-Level Historic Estimates (2017-Present)." Apartment List. Retrieved May 7, 2022 from https://www.apartmentlist.com/research/category/data-rent-estimates